

**CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2004**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Chocoma	County Marquette
Audit Date 12/31/04	Opinion Date 3/4/05	Date Accountant Report Submitted to State: 3/31/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Co., PLLC			
Street Address 102 W. Washington St., Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature Michael A. [Signature] CPA			

## TABLE OF CONTENTS

Independent Auditors' Report.....	3
Management's Discussion and Analysis (Unaudited) .....	5
Statement of Net Assets.....	11
Statement of Activities.....	12
Governmental Funds – Balance Sheet .....	13
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets .....	14
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	16
Proprietary Funds – Statement of Net Assets .....	17
Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Assets.....	18
Proprietary Funds – Statements of Cash Flows .....	19
Fiduciary Funds – Statement of Fiduciary Net Assets.....	20
Notes to Financial Statements .....	21

### REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund – Budgetary Comparison Schedule.....	35
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### OTHER SUPPLEMENTAL INFORMATION

Major Governmental Funds – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	37
Major Government Funds – Capital Improvement Fund – Statement of Revenues, Expenditures and Changes in Fund Balance .....	42
Fiduciary Funds – Combining Statement of Net Assets.....	43

### COMPLIANCE SUPPLEMENTS

Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	45
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# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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MICHIGAN  
ESCANABA  
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MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## INDEPENDENT AUDITORS' REPORT

Supervisor and Members of  
the Township Board of Trustees  
Charter Township of Chocolay, Michigan  
5010 U.S. Highway 41 South  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, of the Charter Township of Chocolay, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, major funds and remaining fund information of the Charter Township of Chocolay, Michigan at December 31, 2004, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, and budgetary comparison information on pages 5 through 10 and 35 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Supervisor and Members of  
The Township Board of Trustees  
Charter Township of Chocoday, Michigan

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated March 4, 2005 on our consideration of the Charter Township of Chocoday, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Chocoday, Michigan's basic financial statements. The schedules listed as additional information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Charter Township of Chocoday, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

March 4, 2005

## Charter Township of Chocoday, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Charter Township of Chocoday's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2004. Please read it in conjunction with the financial statements, which begin on page 11.

#### FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole increased by \$86,762 as a result of this year's operations. Net assets of our business-type activities increased by \$10,126, or 1 percent, and net assets of our governmental activities increased by \$79,636, or 3 percent.
- During the year, the Township had expenses for governmental activities that were \$1,302,629 and expenses for business type activities that were \$206,499.
- The General Fund reported a net fund balance of \$747,133. Net income was \$245,005 higher than the forecasted decrease of \$94,000.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

#### **Reporting the Township as a Whole**

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Wastewater Treatment is reported here.

### Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 7. The fund financial statements begin on page 16 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 20. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The Township as a Whole

Table I provides a summary of the Township's net assets as of December 31, 2004 and 2003.

Table 1 Net Assets				
	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004	Total Primary Government – 2003
Current and other assets	\$2,113,153	\$ 859,795	\$2,972,948	\$2,754,569
Noncurrent assets	971,732	1,374,003	2,345,735	2,482,944
Total Assets	<u>3,084,885</u>	<u>2,233,798</u>	<u>5,318,683</u>	<u>5,237,513</u>
Current liabilities	586,131	22,464	608,595	566,016
Noncurrent liabilities	100,318	49,461	149,779	197,950
Total Liabilities	<u>686,449</u>	<u>71,925</u>	<u>758,374</u>	<u>763,966</u>
Net Assets:				
Invested in capital assets, net of related debt	971,732	872,002	1,843,734	1,955,603
Restricted	-	19,825	19,825	20,282
Unrestricted (deficit)	<u>1,426,704</u>	<u>1,270,046</u>	<u>2,696,750</u>	<u>2,497,662</u>
Total Net Assets	<u>\$2,398,436</u>	<u>\$2,161,873</u>	<u>\$4,560,309</u>	<u>\$4,473,547</u>

Net assets of the Township's governmental activities stood at \$2,398,436. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,426,704.

The \$1,426,704 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$2,161,873. The Township can generally only use these net assets to finance continuing operations of the Wastewater Treatment Facility operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2004 and 2003.

Table 2 Change in Net Assets				
	Governmental Activities - 2004	Business-Type Activities - 2004	Total Primary Government - 2004	Total Primary Government - 2003
<b>Revenues</b>				
Program Revenues:				
Charges for services	\$227,519	\$205,588	\$433,107	\$316,484
General Revenues:				
Property taxes	529,640	-	529,640	513,815
State Sources	468,024	-	468,024	685,368
Interest	20,519	10,987	31,506	41,874
Miscellaneous	<u>133,563</u>	<u>-</u>	<u>133,563</u>	<u>78,225</u>
Total Revenues	<u>1,379,265</u>	<u>216,575</u>	<u>1,595,840</u>	<u>1,635,766</u>
<b>Program Expenses:</b>				
Legislative	26,880	-	26,880	47,790
Elections	8,279	-	8,279	9,518



# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2  
Change in Net Assets

	Governmental Activities - 2004	Business-Type Activities - 2004	Total Primary Government - 2004	Total Primary Government - 2003
General Services and Administration	\$ 232,245	\$ -	\$ 232,245	\$ 263,620
Public Safety	397,128	-	397,128	404,787
Public Works	127,986	-	127,986	107,759
Community & Economic Dev.	41,943	-	41,943	24,299
Recreation and Culture	142,670	-	142,670	195,415
Other	325,498	-	325,498	300,130
Wastewater Treatment	-	206,449	206,449	202,355
Total Expenses	<u>1,302,629</u>	<u>206,449</u>	<u>1,509,078</u>	<u>1,555,673</u>
Excess (deficiency) before transfers	76,636	10,126	86,762	80,093
Transfers	-	-	-	-
Increase (decrease) in net assets	76,636	10,126	86,762	80,093
Net assets, beginning, as restated	<u>2,321,800</u>	<u>2,151,747</u>	<u>4,473,547</u>	<u>4,393,454</u>
Net Assets, Ending	<u>\$2,398,436</u>	<u>\$2,161,873</u>	<u>\$4,560,309</u>	<u>\$4,473,547</u>

The Township's total revenues were \$1,595,840. The total cost of all programs and services was \$1,509,078, leaving an increase in net assets of \$86,762. Our analysis below separately considers the operations of governmental and business-type activities:

## Governmental Activities

The net assets of the Township's governmental activities increased \$76,636 for the year ended December 31, 2004.

The Governmental Type activities had a net income of \$76,636, which is made up of net income of \$138,493 from the governmental funds plus \$79,507 of expenditures relating to capital assets minus \$11,288 of the principal payment of the landfill bond and an additional decrease of expenditures of \$6,362 relating to the change in compensated absences.

## Business-type Activities

During the year ended December 31, 2004, the net assets of the Township's business type activities increased by \$10,126.

The net income of \$10,126 is due to charging the users for the bond payment which pays off a liability creating net income.

## THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$1,552,291 which is an increase of \$138,493 from the beginning of the year.

The governmental funds had a net income of \$138,493 which was due to \$70,000 from KBIC money and \$42,964 from Charter Franchise Fees. There was an additional \$48,334 in garbage tags collection leaving all other activities with a net loss of \$22,805.

## General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times.

Amendments resulted in a net increase of \$0.

With these adjustments, actual charges to expenditures were \$155,332 less than the final amended budget. Conversely, revenues were \$89,673 more than the final budget projection.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

We made several budgetary adjustments to adjust expenditure line items. We did large revenue budget amendments from the KBIC money. We offset this in fire police, recreation budgeted from the KBIC money. Additionally, we brought in a couple of grants in the police department to cover actual costs.

The difference between the final budget and actual rev. was a positive variance of \$89,673, which is due to \$42,964 in franchise fees that were not budgeted. \$48,334, in additional refuse coll. Due to an increase in the price of garbage tags, and a decrease in all other revenues of \$1,625.

Expenses were \$155,332 less than budgeted. Refuse collection was \$45,908 less than budgeted. Parks and Properties came in \$17,682 less than budget. We had an employee out on sickness and accident for over one-half of the year.

Other miscellaneous expense came in \$25,268 under budget because we did not have to use our entire contingency. The additional \$66,474 positive variance was due to across the board immaterial differences.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2004, the Township had \$1,909,735 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3  
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities - 2004	Business-Type Activities - 2004	Totals - 2004	Totals - 2003
Land	\$190,000	\$ 5,555	\$ 195,555	\$ 195,555
Land improvements	147,667	-	147,667	163,467
Buildings and improvements	444,250	932,448	1,376,698	1,447,208
Equipment and furnishings	189,815	-	189,815	231,397
	<u>\$971,732</u>	<u>\$938,003</u>	<u>\$1,909,735</u>	<u>\$2,037,627</u>

The Township purchased a new Police car for \$20,495, a new portable water tank system for the fire department for \$5,835 and a new computer system for \$28,545. The majority of these assets were purchased from the Capital Improvements Fund. The Township sold a Police Car for a loss of \$8,636.

#### Debt

At year-end, the Township had \$139,533 in bonds and notes outstanding as depicted in Table 4 below.

Table 4  
Outstanding Debt at Year-End

	Governmental Activities - 2004	Business-Type Activities - 2004	Totals - 2004	Totals - 2003
General Obligation Bonds	<u>\$73,532</u>	<u>\$66,001</u>	<u>\$139,533</u>	<u>\$166,844</u>

There was no new debt for this fiscal year and further debt can be found in Note G.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In preparing the Township's budget for the year ending December 31, 2005 we anticipate a normal increase in expenditures being offset by normal increases in revenue.

## **CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter Township of Chocolay, 5010 U.S. Highway 41 South, Marquette, MI 49855.

Charter Township of Chocoday, Michigan

STATEMENT OF NET ASSETS

December 31, 2004

	Governmental Activities	Primary Government Business Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,532,999	\$ 758,032	\$ 2,291,031
Cash and cash equivalents - restricted	-	19,825	19,825
Receivables (net)	580,154	81,938	662,092
<b>TOTAL CURRENT ASSETS</b>	<b>2,113,153</b>	<b>859,795</b>	<b>2,972,948</b>
Non-current assets:			
Investment in treatment facility	-	436,000	436,000
Capital Assets			
Land and construction in progress	190,000	5,555	195,555
Other capital assets	2,057,035	2,148,468	4,205,503
Accumulated depreciation	(1,275,303)	(1,216,020)	(2,491,323)
Total Capital Assets	971,732	938,003	1,909,735
<b>TOTAL NON-CURRENT ASSETS</b>	<b>971,732</b>	<b>1,374,003</b>	<b>2,345,735</b>
<b>TOTAL ASSETS</b>	<b>3,084,885</b>	<b>2,233,798</b>	<b>5,318,683</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	40,505	4,708	45,213
Accrued liabilities	14,979	868	15,847
Deferred revenue	505,378	-	505,378
Current portion of bonds payable	12,255	16,540	28,795
Current portion of compensated absences	13,014	-	13,014
Security deposits	-	348	348
<b>TOTAL CURRENT LIABILITIES</b>	<b>586,131</b>	<b>22,464</b>	<b>608,595</b>
Non-current Liabilities:			
Compensated absences	39,041	-	39,041
Bonds payable	61,277	49,461	110,738
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>100,318</b>	<b>49,461</b>	<b>149,779</b>
<b>TOTAL LIABILITIES</b>	<b>686,449</b>	<b>71,925</b>	<b>758,374</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	971,732	872,002	1,843,734
Restricted for:			
Debt Service	-	19,825	19,825
Unrestricted	1,426,704	1,270,046	2,696,750
<b>TOTAL NET ASSETS</b>	<b>\$ 2,398,436</b>	<b>\$ 2,161,873</b>	<b>\$ 4,560,309</b>

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocoma, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended December 31, 2004

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business Type Activities
<b>Primary Government:</b>						
Governmental Activities:						
Legislative	\$ 26,880	\$ -	\$ -	\$ -	\$ (26,880)	\$ -
Elections	8,279	-	-	-	(8,279)	-
General services and administration	232,245	48,277	-	-	(183,968)	-
Public safety	397,128	16,908	-	-	(380,220)	-
Public works	127,986	162,334	-	-	34,348	-
Community and economic development	41,943	-	-	-	(41,943)	-
Recreation and culture	142,670	-	-	-	(142,670)	-
Other	325,498	-	-	-	(325,498)	-
Total Governmental Activities	1,302,629	227,519	-	-	(1,075,110)	-
<b>Business Type Activities:</b>						
Wastewater treatment	206,449	205,588	-	-	-	(861)
Total Business Type Activities	206,449	205,588	-	-	-	(861)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,509,078</b>	<b>\$ 433,107</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,075,110)</b>	<b>(1,075,971)</b>

General Revenues:

Taxes	529,640	-	-	529,640
Unrestricted State sources	468,024	-	-	468,024
Interest and investment earnings	20,519	10,987	-	31,506
Miscellaneous	133,563	-	-	133,563
Transfers	-	-	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>	<b>1,151,746</b>	<b>10,987</b>	<b>-</b>	<b>1,162,733</b>
<b>CHANGE IN NET ASSETS</b>	<b>76,636</b>	<b>10,126</b>	<b>-</b>	<b>86,762</b>
Net assets, beginning of year	2,321,800	2,151,747	-	4,473,547
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,398,436</b>	<b>\$ 2,161,873</b>	<b>\$ -</b>	<b>\$ 4,560,309</b>

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocolay, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2004

	General Fund	Capital Improvement Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 727,821	\$ 805,178	\$ 1,532,999
Receivables	214,902	-	214,902
Taxes receivable	279,448	-	279,448
Due from other funds	85,804	-	85,804
<b>TOTAL ASSETS</b>	<b>\$ 1,307,975</b>	<b>\$ 805,178</b>	<b>\$ 2,113,153</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 40,505	\$ -	\$ 40,505
Accrued payroll and related	14,979	-	14,979
Deferred revenue	505,378	-	505,378
<b>TOTAL LIABILITIES</b>	<b>560,862</b>	<b>-</b>	<b>560,862</b>
<b>FUND BALANCE:</b>			
Unreserved, reported in:			
General Fund	747,113	-	747,113
Capital Projects Funds	-	805,178	805,178
<b>TOTAL FUND BALANCE</b>	<b>747,113</b>	<b>805,178</b>	<b>1,552,291</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,307,975</b>	<b>\$ 805,178</b>	<b>\$ 2,113,153</b>

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocoday, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

December 31, 2004

**Total Fund Balances for Governmental Funds**

\$ 1,552,291

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds

971,732

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Current portion of bonds payable

\$ 12,255

Current portion of compensated absences

13,014

Compensated absences

39,041

Bonds payable

61,277

(125,587)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ 2,398,436

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocolay, Michigan**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended December 31, 2004

	<b>General Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Taxes	\$ 529,640	\$ -	\$ 529,640
Licenses and permits	5,313	-	5,313
State sources	477,161	-	477,161
Charges for services	213,069	-	213,069
Interest	9,168	11,351	20,519
Other	118,060	15,503	133,563
<b>TOTAL REVENUES</b>	<b>1,352,411</b>	<b>26,854</b>	<b>1,379,265</b>
<b>EXPENDITURES:</b>			
Current operations:			
Legislative	26,880	-	26,880
Elections	8,279	-	8,279
General services and administration	224,101	-	224,101
Public safety	294,500	-	294,500
Public works	132,835	-	132,835
Community and economic development	25,322	-	25,322
Recreation and culture	111,992	-	111,992
Other	325,498	-	325,498
Capital outlay	-	91,365	91,365
<b>TOTAL EXPENDITURES</b>	<b>1,149,407</b>	<b>91,365</b>	<b>1,240,772</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>203,004</b>	<b>(64,511)</b>	<b>138,493</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	52,000	52,000
Transfers (out)	(52,000)	-	(52,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(52,000)</b>	<b>52,000</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>151,004</b>	<b>(12,511)</b>	<b>138,493</b>
Fund balance, beginning of year	596,109	817,689	1,413,798
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 747,113</b>	<b>\$ 805,178</b>	<b>\$ 1,552,291</b>

The accompanying notes are an integral part of these financial statements.



**Charter Township of Chocolay, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended December 31, 2004

**Net Change in Fund Balances - Total Governmental Funds**

**\$ 138,493**

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 54,875	
Depreciation expense	(122,716)	
Gain (loss) on disposal	<u>(11,666)</u>	
		(79,507)

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

11,288

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

6,362

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

**\$ 76,636**

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocolay, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

December 31, 2004

	Business - Type Activities Enterprise Funds Wastewater Treatment Operating Fund
<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$ 758,032
Cash and cash equivalents - restricted	19,825
Accounts receivable, net	81,241
Due from other funds	697
<b>TOTAL CURRENT ASSETS</b>	<b>859,795</b>
Non-current Assets:	
Investment in wastewater treatment facility	436,000
Land and construction in progress	5,555
Capital assets	2,148,468
Accumulated depreciation	(1,216,020)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,374,003</b>
<b>TOTAL ASSETS</b>	<b>2,233,798</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts payable	4,708
Accrued payroll and related liabilities	868
Security deposits	348
Current portion of long-term debt	16,540
<b>TOTAL CURRENT LIABILITIES</b>	<b>22,464</b>
Non-current Liabilities:	
Bond payable	49,461
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>49,461</b>
<b>TOTAL LIABILITIES</b>	<b>71,925</b>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	872,002
Restricted - debt service	19,825
Unrestricted	1,270,046
<b>TOTAL NET ASSETS</b>	<b>\$ 2,161,873</b>

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocoday, Michigan**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the Fiscal Year Ended December 31, 2004

	<b>Business - Type Activities</b>
	<b>Enterprise Funds</b>
	<b>Wastewater</b>
	<b>Treatment</b>
	<b>Operating Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services (net)	\$ 205,468
Other operating revenue	120
<b>TOTAL OPERATING REVENUES</b>	<b>205,588</b>
<b>OPERATING EXPENSES:</b>	
Operating expenses	145,461
Depreciation	48,386
<b>TOTAL OPERATING EXPENSES</b>	<b>193,847</b>
<b>OPERATING INCOME (LOSS)</b>	<b>11,741</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Investment income	10,987
Gain (loss) on investment in wastewater treatment facility	(9,317)
Interest expense	(3,285)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(1,615)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>10,126</b>
<b>CHANGE IN NET ASSETS</b>	<b>10,126</b>
Net assets, beginning of year	2,151,747
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,161,873</b>

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocoday, Michigan**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended December 31, 2004

	<b>Business -Type Activities Enterprise Funds Wastewater Treatment Operating Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from charges for services	\$ 209,280
Other operating revenues	120
Cash payments to employees for services	(48,858)
Cash payments to suppliers for goods and services	(96,841)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>63,701</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Cash payments for capital assets	-
Interest payments on bonds	(3,285)
Principal payments on bonds	(16,023)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(19,308)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	10,987
(Additions) deductions to restricted assets	457
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>11,444</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>55,837</b>
Cash and cash equivalents, beginning of year	702,195
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 758,032</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 11,741
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	48,386
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	4,338
(Increase) decrease in due from funds	(203)
Increase (decrease) in accounts payable	1,710
Increase (decrease) in accrued payroll and related liabilities	(1,948)
Increase (decrease) in security deposits	(323)
<b>NET ADJUSTMENTS</b>	<b>51,960</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 63,701</b>

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocolay, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET ASSETS**

December 31, 2004

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 405,492
Due from other funds	-
	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 405,492</u></u>
<b>LIABILITIES:</b>	
Due to other funds	\$ 86,501
Due to others	318,991
	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 405,492</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

**(1) REPORTING ENTITY**

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

**(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### (3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

#### ***Governmental Funds:***

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Capital Projects Fund*** – Capital Projects Fund is used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by business-type/proprietary funds).

#### ***Proprietary Funds***

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- ***Enterprise Funds*** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### ***Fiduciary Funds***

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Improvement Fund** accounts for the purchase of capital assets of the Township.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

### (4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### ***Accrual***

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.



## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### ***Modified Accrual***

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

## **(5) FINANCIAL STATEMENT AMOUNTS**

**Budgets and Budgetary Accounting** – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chocoley Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
  1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

2. The following considerations must be reviewed in determination of transfer approvals:

- a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
- b. Will the transfer maintain the financial integrity of the Township?
- c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Charter Township of Chocoye adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

**Cash Equivalents and Investments** - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

**Long-Term Liabilities:** In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**Property Taxes** – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

**Compensated Absences** – The Township accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**Deferred Revenues** – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

General Fund deferred revenue of \$485,714 relating to taxes was levied on December 1, 2003.

**Interfund Activity** – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

## NOTE B – DEPOSITS AND INVESTMENTS:

The composition of cash and investments as reported in the combined balance sheet is presented below:

	Primary Government	Fiduciary Funds	Total
Cash and Investments:			
Unrestricted	\$ 2,291,031	\$ 405,492	\$ 2,696,523
Restricted	19,825	-	19,825
TOTAL	<u>\$ 2,310,856</u>	<u>\$ 405,492</u>	<u>\$ 2,716,348</u>
Composition of Balances:			
Cash in banks	\$ 275,606	\$ 405,492	\$ 681,098
Certificates of Deposit	2,035,000	-	2,035,000
Petty Cash	250	-	250
TOTAL	<u>\$ 2,310,856</u>	<u>\$ 405,492</u>	<u>\$ 2,716,348</u>

Act 196, PA 1997, authorized the Township to deposit and invest in:

- a. Bonds, securities, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States government or Federal agency obligation repurchase agreements.
- e. Banker's acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- g. Obligation of the State of Michigan or its political subdivisions which are rated investment grade.
- h. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

### Deposits

At year-end, the carrying amount of the Township's deposits was \$ 681,098 and the bank balance was \$ 842,084. Of the bank balance, \$200,000 was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

## NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables are:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	\$85,804	Fiduciary	\$86,501
Wastewater Treatment	697		
TOTAL	<u>\$86,501</u>	TOTAL	<u>\$86,501</u>

## NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	<u>Balance at January 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2004</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ 190,000	\$ -	\$ -	\$ 190,000
Total Capital Assets, not being depreciated	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>190,000</u>
Buildings and improvements	885,000	-	-	885,000
Land improvements	287,000	-	-	287,000
Furniture and equipment	<u>855,160</u>	<u>54,875</u>	<u>(25,000)</u>	<u>885,035</u>
Total Capital Assets being depreciated	<u>2,027,160</u>	<u>54,875</u>	<u>(25,000)</u>	<u>2,057,035</u>
Less Accumulated Depreciation:				
Buildings and improvements	(418,625)	(22,125)	-	(440,750)
Land improvements	(123,533)	(15,800)	-	(139,333)
Furniture and equipment	<u>(623,763)</u>	<u>(84,791)</u>	<u>13,334</u>	<u>(695,220)</u>
Total Accumulated Depreciation	<u>(1,165,921)</u>	<u>(122,716)</u>	<u>13,334</u>	<u>(1,275,303)</u>
Governmental Activities Capital Assets, Net	<u>\$1,051,239</u>	<u>\$(67,841)</u>	<u>\$(11,666)</u>	<u>\$ 971,732</u>

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 25,806
Public Safety	71,485
Recreation and Culture	<u>25,425</u>
Total	<u>\$122,716</u>

A summary of changes in business-type activities capital assets is as follows:

	<u>Balance at January 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2004</u>
BUSINESS-TYPE ACTIVITIES:				
Land	\$ 5,555	\$ -	\$ -	\$ 5,555
Total Capital Assets, not being depreciated	<u>5,555</u>	<u>-</u>	<u>-</u>	<u>5,555</u>
Buildings and improvements	2,121,368	-	-	2,121,368
Equipment	<u>27,100</u>	<u>-</u>	<u>-</u>	<u>27,100</u>
Total Capital Assets, being depreciated	<u>2,148,468</u>	<u>-</u>	<u>-</u>	<u>2,148,468</u>

**NOTE D – CAPITAL ASSETS (Continued):**

	Balance at January 1, 2004	Additions	Disposals	Balance at December 31, 2004
Less Accumulated Depreciation:				
Buildings and improvements	<u>\$(1,140,534)</u>	<u>\$(48,386)</u>	<u>\$ -</u>	<u>\$(1,188,920)</u>
Equipment	<u>5,555</u>	<u>-</u>	<u>-</u>	<u>5,555</u>
Buildings and improvements	2,121,368	-	-	2,121,368
Equipment	<u>(27,100)</u>	<u>-</u>	<u>-</u>	<u>(27,100)</u>
Total Accumulated Depreciation	<u>(1,167,634)</u>	<u>(48,386)</u>	<u>-</u>	<u>(1,216,020)</u>
	<u>\$ 986,387</u>	<u>\$(48,386)</u>	<u>\$ -</u>	<u>\$ 938,003</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Wastewater Treatment Facility	<u>\$48,386</u>
Total Depreciation Expense – Business-Type Activities	<u>\$48,386</u>

**NOTE E – VESTED EMPLOYEE BENEFITS:**

Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. During 1994 the Township adopted a payout provision stating that upon retirement, death, or disability, employees with one or more years of service shall be paid for 50% of their accumulated leave up to a maximum of 90 days at their current rate of pay.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

	Accrued Sick and Vacation
Primary Government:	
Current portion	\$ 13,014
Long-term portion	<u>39,041</u>
Total	<u>\$52,055</u>

**NOTE F – LONG-TERM DEBT:**

SCHEDULE OF MARQUETTE COUNTY REFUNDING BONDS  
UNLIMITED TAX, SERIES 1998  
December 31, 2004

	June 1	December 1		
	Interest	Interest	Principal	Total
2005	<u>\$2,159</u>	<u>\$1,125</u>	<u>\$16,540</u>	<u>\$19,824</u>
2006	1,655	2,171	16,540	20,366
2007	1,100	2,651	16,540	20,291
2008	558	2,784	16,381	19,723
TOTALS	<u>\$5,472</u>	<u>\$8,731</u>	<u>\$ 66,001</u>	<u>\$80,204</u>

The Bonds originally issued for \$153,510 and dated December 7, 1998 mature annually as scheduled above and bears interest at 4.3 per annum.

**NOTE F – LONG-TERM DEBT (Continued):**

SCHEDULE OF MARQUETTE COUNTY LANDFILL BOND  
December 31, 2004

	May		November	
	Principal	Interest	Interest	Total
2005	\$12,255	\$2,794	\$2,328	\$17,377
2006	13,545	2,328	1,814	17,687
2007	14,513	1,814	1,262	17,589
2008	15,803	1,262	662	17,727
2009	17,416	662	-	18,078
TOTALS	<u>\$73,532</u>	<u>\$8,860</u>	<u>\$6,066</u>	<u>\$88,458</u>

The Bonds originally issued for \$171,920 and dated September 11, 1991 mature annually as scheduled above and bears a variable interest rate.

Changes in long-term debt principal during the period ended December 31, 2004 are summarized as follows:

	January 1, 2004	Additions	Subtractions	December 31, 2004
<b>Governmental Activities:</b>				
This debt represents the Township's share of the Bond to form the Joint Venture in the Marquette County Solid Waste Management Authority.	\$84,820	\$ -	\$11,288	\$73,532
Total Governmental Activities	<u>84,820</u>	<u>-</u>	<u>11,288</u>	<u>73,532</u>
<b>Business-Type Activities:</b>				
This debt represents the Township's share of the Bond to form the Joint venture in the Marquette Area Wastewater Treatment Facility.	82,024	-	16,023	66,001
Total Business-Type Activities	<u>82,024</u>	<u>-</u>	<u>16,023</u>	<u>66,001</u>
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	<u>\$166,844</u>	<u>\$ -</u>	<u>\$27,311</u>	<u>\$ 139,533</u>

**NOTE G – RESERVED AND DESIGNATED NET ASSETS:**

The Wastewater Treatment Fund has reserved net assets totaling \$19,825 which represents the balance available to pay down debt.

**NOTE H – PROPERTY TAXES:**

The Local Governmental Unit property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31<sup>st</sup>.

Although the Local Governmental Unit 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the following year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

#### NOTE H – PROPERTY TAXES (Continued):

The 2003 taxable valuation of the Local Governmental Unit totaled \$118,305,245, on which ad valorem taxes levied consisted of 4.1056 mills for the Local Governmental Unit operation purposes. These amounts are recognized in the General Fund financial statements as revenue

#### NOTE I – INTERFUND TRANSFERS IN AND OUT:

	<u>Transfers In</u>		<u>Transfers Out</u>
Capital Improvement Fund	<u>\$52,000</u>	General Fund	<u>\$52,000</u>
TOTAL REPORTING ENTITY	<u>\$52,000</u>	TOTAL REPORTING ENTITY	<u>\$52,000</u>

#### NOTE J – OTHER POST EMPLOYMENT BENEFITS:

The Charter Township of Chocolay offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and former employees of the Township. This benefit is accounted for on the pay-as-you-go method, whereby the Township is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for employees for the period ended December 31, 2004 was \$-0-.

#### NOTE K – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

#### NOTE L – INVESTMENT IN WASTEWATER TREATMENT FACILITY:

On April 7, 1977, and May 31, 1983 the Charter Township of Chocolay, The City of Marquette, and Township of Marquette entered into contracts to construct and operate a secondary wastewater treatment facility to be known as the "Marquette Area Wastewater Treatment Facility". Under those agreements the Township of Chocolay would own 14.7% of the facility, the Township of Marquette would own 5.5% and the City of Marquette would own 79.8%.

On July 1, 1993, there was an amendment to the Marquette County Wastewater Disposal system contract to change the ownership of the three partners involved. The Charter Township of Marquette paid to the City of Marquette and the Charter Township of Chocolay each the sum of \$54,743, representing an allocation of an additional 4.5% of the capacity of the Marquette Area Wastewater Treatment Facility to Marquette Township. During fiscal 1998, the County of Marquette issued refunding bonds - unlimited tax series 1998, to partially refund the original bond issue. The new ownership percentages for the City of Marquette, Charter Township of Chocolay, and Charter Township of Marquette are 77.55%, 12.45%, and 10.00%, respectively.

The construction of the Facility was partially financed through \$2.5 million general obligation bonds which were partially refunded during fiscal 1998 and issued by Marquette County for which the full faith and credit of the two Townships and the City of Marquette have been pledged. Repayment of the County of Marquette bonds and the interest thereon is the contractual responsibility of the owners of the project based on their share of the ownership. The total investment in the Facility at December 31, 2003 by the Township is \$445,317 including local contributions and its proportionate share of the net equity of the Facility. The Township utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.



## **NOTE L – INVESTMENT IN WASTEWATER TREATMENT FACILITY:**

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended June 30, 2004 is as follows:

Assets	\$6,978,496
Liabilities	1,443,436
Fund Equity	5,535,060
Total Operating Revenues	1,205,987
Total Operating Expenses	1,584,064
Net income (loss)	(294,064)
Township's share of net income (loss)	(3,734)

## **NOTE M – JOINT VENTURE:**

In June 1988, Chocolay Township joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's share of assets, liabilities, and fund equity is approximately 10 percent. Summary financial information as of and for the fiscal year ended June 30, 2004, is as follows:

Total Assets	\$13,084,748
Total Liabilities	2,136,948
Total Equity	10,947,800
Total Operating Revenues	3,157,413
Total Operating Expenses	2,065,094
Net Income (loss)	1,033,247

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

#### **NOTE N – DEFERRED COMPENSATION PLAN:**

The Township offers its employees deferred compensation Plans created in accordance with the Internal Revenue Code, Section 457. The Plans are available to all employees. The Plans permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable future.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Township's general creditors. Therefore, the Plan is no longer presented in these statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the Township has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The Township's Plan is administered by American Express (full time employees) and Wells Fargo (part time employees, and as Plan Administrators, agree to hold harmless and indemnify the Board, it's appointed and elected officers and participating employees from any loss resulting from American Express or Wells Fargo or their agents' failure to perform their duties and services pursuant to the American Express or Wells Fargo program.

REQUIRED SUPPLEMENTAL  
FINANCIAL INFORMATION

**Charter Township of Chocolay, Michigan**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended December 31, 2004

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP</b>	<b>Final Budget</b>
			<b>Basis</b>	<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Taxes	\$ 540,011	\$ 540,011	\$ 529,640	\$ (10,371)
Licenses and permits	2,250	2,250	5,313	3,063
State sources	512,981	512,981	477,161	(35,820)
Charges for services	114,000	114,000	213,069	99,069
Interest	11,000	11,000	9,168	(1,832)
Other revenues	52,734	82,496	118,060	35,564
<b>TOTAL REVENUES</b>	<b>1,232,976</b>	<b>1,262,738</b>	<b>1,352,411</b>	<b>89,673</b>
<b>EXPENDITURES:</b>				
Legislative	35,469	33,219	26,880	6,339
Elections	12,020	12,020	8,279	3,741
General services and administration	232,986	238,240	224,101	14,139
Public safety	289,570	305,883	294,500	11,383
Public works	180,345	180,345	132,835	47,510
Community and economic development	30,023	30,023	25,322	4,701
Recreation and culture	125,530	146,080	111,992	34,088
Other	369,033	358,929	325,498	33,431
<b>TOTAL EXPENDITURES</b>	<b>1,274,976</b>	<b>1,304,739</b>	<b>1,149,407</b>	<b>155,332</b>
<b>EXCESS OF REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<b>(42,000)</b>	<b>(42,001)</b>	<b>203,004</b>	<b>245,005</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers (out)	(52,000)	(52,000)	(52,000)	-
<b>TOTAL OTHER FINANCING</b>				
<b>SOURCES (USES)</b>	<b>(52,000)</b>	<b>(52,000)</b>	<b>(52,000)</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(94,000)</b>	<b>(94,001)</b>	<b>151,004</b>	<b>245,005</b>
Fund balance, beginning of year	596,109	596,109	596,109	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 502,109</b>	<b>\$ 502,109</b>	<b>\$ 747,113</b>	<b>\$ 245,005</b>

The accompanying notes are an integral part of these financial statements.

## Other Supplemental Information

**Charter Township of Chocolay, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended December 31, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 490,064	\$ 485,650	\$ (4,414)
Penalties and interest	150	329	179
Trailer park fees	440	452	12
Payment in lieu of taxes	7,357	7,358	1
Tax collection fees	42,000	35,851	(6,149)
Total Taxes	<u>540,011</u>	<u>529,640</u>	<u>(10,371)</u>
Licenses and Permits:			
Animal licenses	650	543	(107)
Building permits	1,600	4,770	3,170
Total Licenses and Permits	<u>2,250</u>	<u>5,313</u>	<u>3,063</u>
State Sources:			
Public safety grants	-	9,137	9,137
State revenue sharing	512,981	468,024	(44,957)
Total State Sources	<u>512,981</u>	<u>477,161</u>	<u>(35,820)</u>
Charges for Services:			
Franchise fees	-	42,964	42,964
Fire services	-	7,771	7,771
Refuse collection	114,000	162,334	48,334
Total Charges for Services	<u>114,000</u>	<u>213,069</u>	<u>99,069</u>
Interest	11,000	9,168	(1,832)
Total Interest	<u>11,000</u>	<u>9,168</u>	<u>(1,832)</u>
Other Revenues:			
Ordinance fines and costs	7,000	12,711	5,711
Administrative fee	3,734	-	(3,734)
Refunds and reimbursements	-	8,490	8,490
Miscellaneous other	71,762	96,859	25,097
Total Other Revenues	<u>82,496</u>	<u>118,060</u>	<u>35,564</u>
<b>TOTAL REVENUES</b>	<u>1,262,738</u>	<u>1,352,411</u>	<u>89,673</u>

**Charter Township of Chocoday, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>			
<b>LEGISLATIVE:</b>			
Board of Commissioners:			
Personnel services	\$ 4,150	\$ 3,000	\$ 1,150
Other services and charges	29,069	23,880	5,189
<b>TOTAL LEGISLATIVE</b>	<u>33,219</u>	<u>26,880</u>	<u>6,339</u>
<b>ELECTIONS:</b>			
Personnel services	4,920	3,865	1,055
Supplies	3,300	1,649	1,651
Other services and charges	3,800	2,765	1,035
<b>TOTAL ELECTIONS</b>	<u>12,020</u>	<u>8,279</u>	<u>3,741</u>
<b>GENERAL SERVICES AND ADMINISTRATION:</b>			
Supervisor:			
Personnel services	53,979	53,307	672
Other services and charges	2,933	697	2,236
Capital outlay	-	1,000	(1,000)
<b>Total Supervisor</b>	<u>56,912</u>	<u>55,004</u>	<u>1,908</u>
Assessor:			
Personnel services	35,020	35,330	(310)
Supplies	660	444	216
Other services and charges	9,635	6,304	3,331
<b>Total Assessor</b>	<u>45,315</u>	<u>42,078</u>	<u>3,237</u>
Clerk:			
Personnel services	75,887	73,696	2,191
Supplies	700	741	(41)
Other services and charges	12,355	8,603	3,752
Capital outlay	150	-	150
<b>Total Clerk</b>	<u>89,092</u>	<u>83,040</u>	<u>6,052</u>
Board of Review:			
Personnel services	1,240	780	460
Other services and charges	450	200	250
<b>Total Board of Review</b>	<u>1,690</u>	<u>980</u>	<u>710</u>

**Charter Township of Chocoday, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended December 31, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>Treasurer:</b>			
Personnel services	\$ 24,556	\$ 23,366	\$ 1,190
Supplies	75	126	(51)
Other services and charges	7,570	7,146	424
Capital outlay	3,500	3,500	-
<b>Total Treasurer</b>	<b>35,701</b>	<b>34,138</b>	<b>1,563</b>
<b>Township Hall and Grounds:</b>			
Supplies	775	754	21
Other services and charges	8,755	8,107	648
<b>Total Township Hall and Grounds</b>	<b>9,530</b>	<b>8,861</b>	<b>669</b>
<b>TOTAL GENERAL SERVICES AND ADMINISTRATION</b>	<b>238,240</b>	<b>224,101</b>	<b>14,139</b>
<b>PUBLIC SAFETY:</b>			
<b>Police Department:</b>			
Personnel services	224,304	221,067	3,237
Supplies	450	418	32
Other services and charges	20,627	17,646	2,981
Capital outlay	5,304	2,656	2,648
<b>Total Police Department</b>	<b>250,685</b>	<b>241,787</b>	<b>8,898</b>
<b>Fire Department:</b>			
Personnel services	27,039	26,877	162
Other services and charges	28,159	25,821	2,338
Capital outlay	-	15	(15)
<b>Total Fire Department</b>	<b>55,198</b>	<b>52,713</b>	<b>2,485</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>305,883</b>	<b>294,500</b>	<b>11,383</b>
<b>PUBLIC WORKS:</b>			
<b>Streets:</b>			
Other services and charges	11,632	10,030	1,602
<b>Total Streets</b>	<b>11,632</b>	<b>10,030</b>	<b>1,602</b>



Charter Township of Chocolay, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Fiscal Year Ended December 31, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Refuse Collection:			
Other services and charges	\$ 168,713	\$ 105,500	\$ 63,213
Debt payment	-	17,305	(17,305)
Total Refuse Collection	168,713	122,805	45,908
<b>TOTAL PUBLIC WORKS</b>	180,345	132,835	47,510
<b>COMMUNITY AND ECONOMIC DEVELOPMENT:</b>			
Zoning:			
Personnel services	12,533	12,661	(128)
Supplies	35	17	18
Other services and charges	2,135	1,743	392
Total Refuse Collection	14,703	14,421	282
Planning Commission:			
Personnel services	4,520	3,560	960
Supplies	200	135	65
Other services and charges	7,590	4,762	2,828
Total Planning Commission	12,310	8,457	3,853
Appeals Board (Zoning and Planning):			
Personnel services	2,150	1,655	495
Supplies	60	5	55
Other services and charges	800	784	16
Total Appeals Board (Zoning and Planning)	3,010	2,444	566
<b>TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT</b>	30,023	25,322	4,701
<b>RECREATION AND CULTURE:</b>			
Recreation and Grants:			
Personnel services	33,380	24,120	9,260
Supplies	150	68	82
Other services and charges	7,850	2,066	5,784
Total Recreation and Grants	41,380	26,254	15,126

**Charter Township of Chocolay, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended December 31, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community Center:			
Supplies	\$ 432	\$ 99	\$ 333
Other services and charges	16,800	15,853	947
Total Community Center	<u>17,232</u>	<u>15,952</u>	<u>1,280</u>
Parks and Properties:			
Personnel services	69,331	61,661	7,670
Other services and charges	12,137	5,122	7,015
Capital outlay	6,000	3,003	2,997
Total Parks and Properties	<u>87,468</u>	<u>69,786</u>	<u>17,682</u>
<b>TOTAL RECREATION AND CULTURE</b>	<u>146,080</u>	<u>111,992</u>	<u>34,088</u>
<b>OTHER:</b>			
Fringe Benefits:			
Social security	35,458	37,535	(2,077)
Hospitalization	187,113	180,884	6,229
Retirement	49,021	48,700	321
Unemployment taxes	6,000	2,333	3,667
Total Fringe Benefits	<u>277,592</u>	<u>269,452</u>	<u>8,140</u>
Insurance and bonds	40,800	40,777	23
Miscellaneous	40,537	15,269	25,268
<b>TOTAL OTHER</b>	<u>358,929</u>	<u>325,498</u>	<u>33,431</u>
<b>TOTAL EXPENDITURES</b>	<u>1,304,739</u>	<u>1,149,407</u>	<u>155,332</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(42,001)</u>	<u>203,004</u>	<u>245,005</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers (Out):			
Capital Improvements	(52,000)	(52,000)	-
Total Transfers (Out)	<u>(52,000)</u>	<u>(52,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(52,000)</u>	<u>(52,000)</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(94,001)</u>	<u>151,004</u>	<u>245,005</u>
Fund balance, beginning of year	<u>596,109</u>	<u>596,109</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 502,109</u></u>	<u><u>\$ 747,113</u></u>	<u><u>\$ 245,005</u></u>

**Charter Township of Chocolay, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**CAPITAL IMPROVEMENT FUND**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended December 31, 2004

**REVENUES:**

Interest	\$ 11,351
Other	<u>15,503</u>

<b>TOTAL REVENUES</b>	<u>26,854</u>
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**EXPENDITURES:**

Capital outlay	
Clerk	17,245
Police department	21,838
Police training	1,114
Fire department	22,855
Sanitation	6,439
Recreation	786
Economic development	5,621
Parks and properties	4,467
Zoning	<u>11,000</u>

Total Capital Outlay	<u>91,365</u>
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<b>TOTAL EXPENDITURES</b>	<u>91,365</u>
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<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(64,511)</u>
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**OTHER FINANCING SOURCES (USES):**

Transfers in	52,000
Transfers (out)	<u>-</u>

<b>TOTAL OTHER FINANCING SOURCES</b>	<u>52,000</u>
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<b>CHANGES IN FUND BALANCE</b>	(12,511)
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Fund balance, beginning of year	<u>817,689</u>
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<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 805,178</u></u>
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**Charter Township of Chocolay, Michigan**

**FIDUCIARY FUNDS**

**COMBINING STATEMENT OF NET ASSETS**

December 31, 2004

	Trust & Agency Fund	Tax Collection Fund	Senior Citizens Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,686	\$ 401,806	\$ -	\$ 405,492
Due from other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 3,686</u>	<u>\$ 401,806</u>	<u>\$ -</u>	<u>\$ 405,492</u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ 86,501	\$ -	\$ 86,501
Due to others	3,686	315,305	-	318,991
<b>TOTAL LIABILITIES</b>	<u>\$ 3,686</u>	<u>\$ 401,806</u>	<u>\$ -</u>	<u>\$ 405,492</u>

# Compliance Supplements



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Supervisor and Township Board of Trustees  
Charter Township of Chocolay, Michigan  
5010 U.S. Highway 41 South  
Marquette, Michigan 49855

We have audited the financial statements of the Charter Township of Chocolay, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated March 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance and other matters

As part of obtaining reasonable assurance about whether the Charter Township of Chocolay, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Township of Chocolay, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

March 4, 2005



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

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MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

March 4, 2005

To the Supervisor and Township Board  
Charter Township of Chocolay, Michigan  
5010 U. S. Highway 41, South  
Marquette, MI. 49855

We have audited the financial statements of the Charter Township of Chocolay, Michigan for the year ended December 31, 2004, and have issued our report thereon dated March 4, 2005. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the organizations compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of accounting policies and their application. The significant accounting policies used are described in the Footnotes of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Supervisor and Township Board  
Charter Township of Chocoday, Michigan

### **Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded, either individually or in the aggregate, indicate matters that could have a significant effect on the financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Conclusion**

This information is intended solely for the use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants